PostScript

LETTERS

Cigarette taxes and prices in Spain: government and industry initiatives

Cigarette taxation has recently been modified in Spain. The process took place over six months, and may be relevant for other countries. In September 2005, as financial provisions for the National Health System were reviewed, a modest rise in tobacco taxes was approved, bringing the ad valorem component from 54% to 54.95% and the specific component from €3.99 to €4.20/1000 cigarettes. At the time, a smoking prevention bill was discussed in Congress, banning publicity and smoking in workplaces (with exemptions for the hospitality sector).¹ Most companies did not translate this rise into final prices.

By mid 2005, Altadis launched Ducados Blond, a low cost brand. At a historical low price of €1.35 and with a huge advertisement campaign, sales expanded quickly. Low cost brands had been entering the market, without comparable marketing support.

Taxes on tobacco rose on 20 January 2006, after the entry into force of the bill. The ad valorem component reached 55.95% and the specific component €6.20/1000 cigarettes. The prevention movement and sectors of the media had criticised the bill for being partial, a concept brought forward also by the opposition during the legislative process. On 25 January, Altadis increased prices. The next day, Philip Morris responded with an unexpected move, lowering prices below those of Altadis. Philip Morris sales soared, and all others plummeted. In 10 days, most companies had lowered prices to regain differentials with Marlboro. By 12 February, the government increased taxes: ad valorem to 57% and specific to €8.20/1000 cigarettes. It imposed a minimum tax of €55/1000 cigarettes: if the combined effect of the ad valorem and the specific components were below this, the specific component would rise to ensure it did not remain so. Next week, all prices increased again.

The retail prices of selected brands are shown in table 1. Most were similar to the year before, but there was a 48% rise for the cheapest. This price war was studied in business schools and magazines. It brought

cigarettes into the media after advertisements had been banned. It shows how Philip Morris has attained the effective control of the market, forcing a reduction of the price differentials of its products, and pushing its main competitor (Altadis) into undesired positions. From a prevention perspective, it can be seen as both an effect of the progress in policies and part of them: both the tax structure and the current prices are more prevention-friendly now.² While the price of premium brands is similar to what it was, the price of low cost brands has risen consistently. A sharp rise in quit rates by middle aged men of low socioeconomic status was documented when the price of dark tobacco cigarettes rose in the 1990s as an effect of the European Union directive on tobacco taxation.^{3,4} We hope for similar effects now, perhaps greater as they are combined with new regulations about advertising and smoking in workplaces. We advocate for further increases to levels similar to those attained in France, which have led to reductions in consumption.⁵

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doi: 10.1136/tc.2006.017202

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Time for a Tobacco and Nicotine Regulatory Authority for France

The prevention of smoking-related diseases has entered a new phase. Smokers and non-smokers alike have become overwhelmingly in favour of smoking bans at work and in public places (recent polls in France showed that around 80% of the population is in favour of the ban). Many countries, including France, have ratified the World Health Organization's Framework Convention on Tobacco Control (WHO FCTC) which came into effect on 27 February 2005. Countries signing up to the agreement committed themselves to introducing new governance that would enable them to implement various actions in the most effective way. The European Union (EU) is also proposing to reinforce national policies on tobacco control.

At the same time, politicians at the highest level have taken this objective on board and schemes such as the "Plan Cancer" were launched by the French President in 2003. Unfortunately, the tobacco industry has systematically attempted to confuse the issue and through large scale lobbying activities has managed to scare members of the HORECA (hotel, restaurants and bars) sector.

Quite early on, France embraced several courageous decisions such as the Veil Law (1976) and the Evvin Law (1991), followed by the "Plan Cancer" and energetic measures relating to tobacco taxes. Unfortunately, the measures that have been implemented have barely lived up to expectation in a country that professed itself committed to a "guerre au tabac" (war against tobacco) and having placed precautionary measures at the constitutional level. In all, barely 20 people from central government, government agencies and associated bodies and NGOs are actively working to control smoking. In Ireland, by contrast, the Office of Tobacco Control (OTC) has 17 full-time staff (population ratio would mean France having 250 staff) and 18 staff engaged as law enforcement officers.

Article 5.2a of the WHO FCTC recommends each signatory country to "establish or

Table 1 Changes in cigarette prices for selected brands in Spain, December 2005 to February 2006

Company	Brand ¹	Market share, 2005 (%)	Price, late 2005 (€)	Price changes, 2006 (€)			
				Jan 25	Jan 26	By Jan 31	By Feb 17
Altadis	Fortuna	14.58	2.25	2.50		1.85	2.20
	Ducados dark	9.38	2.25	2.50		2.00	2.20
	Nobel	4.45	2.25	2.50		1.85	2.20
	Ducados blond	3.34	1.35	1.75		1.75	2.00
Altria	Marlboro	16.75	2.75		2.35		2.75
	Chesterfield	10.57	2.40		2.00		2.40
	L&M	5.40	2.20		1.75		2.20
JTI	Camel	6.36	2.40			2.00	2.40

All brands with a market share above 3% for the year 2005 are included.